

**UNITED STATES INTERNATIONAL TRADE COMMISSION**

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2006):  
EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO  
CERTAIN APPAREL OF YARN-DYED FLANNEL FABRICS**

Investigation No. 332-473-002

March 2006



# Commercial Availability of Apparel Inputs (2006): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries

## U.S. International Trade Commission Investigation No. 332-473-002

Products	Certain apparel of yarn-dyed flannel fabrics
Requesting Parties	BWA, Inc., New York, NY
Date of Commission Report: USTR Public	March 21, 2006 March 2006
Commission Contact	Jeff Clark (202-205-3318, jeffrey.clark@usitc.gov)

### NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR ON MARCH 21, 2006. ALL CONFIDENTIAL INFORMATION HAS BEEN REMOVED AND REPLACED WITH ASTERISKS (\*\*\*) .

### Summary of Findings<sup>1</sup>

The fabrics named in the petition filed by BWA with the Committee for the Implementation of Textile Agreements (CITA) in February 2006, and under review in this report, are similar to those named in several petitions filed with CITA during 2003-05.<sup>2</sup>

The Commission's analysis indicates that granting duty-free treatment to U.S. imports of woven shirts, blouses, and dressing gowns made in eligible Caribbean Basin countries from the subject flannel fabrics, regardless of the source of such fabrics, would not likely have an effect on U.S. apparel, fabric, and yarn producers and their workers. The Commission is unaware of any domestic production of either the subject apparel products containing the specified flannel fabrics or other apparel that is directly substitutable for the subject products. The Commission is also unaware of any domestic production of the subject flannel fabrics. The proposed action would likely benefit U.S. firms making woven shirts, blouses, and dressing gowns in eligible Caribbean Basin countries from the subject fabrics, and their U.S.-based workers, as well as U.S. consumers.

### Background

On February 16, 2006, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-473, *Commercial Availability of Apparel Inputs (2006): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)). Under this investigation, the Commission provides advice regarding the probable economic effect of granting preferential treatment to apparel made from fabrics or yarns that are the subject of petitions filed by interested parties in 2006 with CITA under the "commercial availability" provisions of the African Growth

<sup>1</sup> \*\*\*, telephone interview by Commission staff, Mar. 8, 2006.

<sup>2</sup> For information on the CITA's decisions regarding the 2003-05 petitions, see the *Federal Register* of July 29, 2003 (68 F.R. 44528); Apr. 21, 2004 (69 F.R. 21500); May 6, 2004 (69 F.R. 26077); Nov. 30, 2004 (69 F.R. 69588); Dec. 27, 2004 (69 F.R. 77231); and Aug. 12, 2005 (70 F.R. 47180).

and Opportunity Act (AGOA), the United States-Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Promotion and Drug Eradication Act (ATPDEA).<sup>3</sup>

The Commission's advice in this report relates to a petition received by CITA on February 7, 2006, alleging that certain woven flannel fabrics cannot be supplied by the domestic industry in commercial quantities in a timely manner. The petitioner requests that the President proclaim as eligible for preferential treatment the subject apparel made in eligible CBTPA beneficiary countries from such fabrics, regardless of the source of the fabrics.<sup>4</sup>

## Discussion of the product

The petition states that the subject fabrics are classified in subheading 5208.43.00 of the Harmonized Tariff Schedule of the United States (HTS), which provides for woven fabrics of cotton, containing 85 percent or more by weight of cotton, weighing not more than 200 grams per square meter, of dyed yarns of different colors, in a 3-thread or 4-thread twill construction. The U.S. general rate of duty on fabrics classified in this subheading is "free." The specifications for the subject fabrics are listed below. The fabrics are used in woven shirts, blouses, and dressing gowns. These apparel articles are classified in HTS chapter 62 (apparel, not knitted or crocheted) and subject to U.S. general rates of duty ranging from 6.1 to 19.7 percent ad valorem.

Subject fabric specifications:

Fiber Content:	100% cotton
Weight:	98 - 150 g/m <sup>2</sup>
Thread Count:	39 - 66 warp ends per centimeter; 27 - 39 filling picks per centimeter;
Yarn Number:	84 - 86 metric warp and filling, ring spun, combed;
Weave:	3- or 4-thread twill;
Finish:	Of yarns of different colors; plaids, checks and stripes, napped on both sides, and pre-shrunk.

The petitioner, BWA, New York, NY, produces and markets branded and private-label apparel for men, women, and children, \*\*\*.<sup>5</sup> BWA plans to import the subject fabric into a CBTPA beneficiary country for use in the manufacture of woven shirts, blouses, and dressing gowns, which will then be exported to the United States.<sup>6</sup>

Woven shirts, blouses, and dressing gowns made from the subject fabrics generally compete in the higher end of the retail market. According to the petitioner, the apparel will be sold in retail outlets such as \*\*\* with items such as shirts and blouses selling for \$\*\*\* each.<sup>7</sup>

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<sup>3</sup> For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of Mar. 3, 2006 (71 F.R. 10992) and consult the Commission's website at [www.usitc.gov/ind\\_econ\\_ana/research\\_ana/pres\\_cong/332/short\\_supply/shortsupintro.htm](http://www.usitc.gov/ind_econ_ana/research_ana/pres_cong/332/short_supply/shortsupintro.htm).

<sup>4</sup> The President may proclaim such action if (1) he determines that the subject fabric or yarn cannot be supplied by the domestic industry in commercial quantities in a timely manner; (2) he has obtained advice from the Commission and the appropriate advisory committee; (3) he has submitted a report, within 60 calendar days after the request, to the House Committee on Ways and Means and the Senate Committee on Finance, that sets forth the action proposed, the reasons for such action, and advice obtained; (4) a period of 60 calendar days, beginning with the day on which he has met the requirements of (3), has expired; and (5) he has consulted with such committees on the proposed action during the 60-day period referred to in (3). In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. The President authorized CITA and USTR to submit the required report to the Congress.

<sup>5</sup> \*\*\*, telephone interview by Commission staff, Mar. 13, 2006.

<sup>6</sup> \*\*\*, telephone interview by Commission staff, Mar. 13, 2006.

<sup>7</sup> \*\*\*, telephone interview by Commission staff, Mar. 13, 2006.

## **Discussion of affected U.S. industries, workers, and consumers<sup>8</sup>**

### ***Apparel producers***

The Commission is unaware of any U.S. production of apparel of the subject flannel fabrics or any U.S. production of apparel that would be directly substitutable for the subject products.

A representative for the apparel industry stated that \*\*\*.<sup>9</sup> A representative of L.L. Bean, a retailer, stated that she is unaware of any domestic flannel apparel production and that \*\*\*.<sup>10</sup>

### ***Yarn and fabric producers***

The Commission is unaware of any U.S. producers of the subject flannel fabrics or of the yarn used to make them.<sup>11</sup>

Among U.S. fabric mills, a representative of Wade Mfg Co., Wadesboro, NC, said that Wade is the largest U.S. producer of cotton flannel fabrics, but it does not make the subject fabrics \*\*\*.<sup>12</sup> He noted that the firm makes flannel from open-end spun yarns rather than ring-spun yarns and that apparel flannel \*\*\*.<sup>13</sup> Other firms producing flannel fabrics (Carolina Mills, Maiden, NC, and Avondale Mills, Graniteville, SC) make only heavier-weight flannel and only from undyed yarns.<sup>14</sup>

### **Views of interested parties**

No written submissions were filed with the Commission.

### **Probable economic effect advice<sup>15</sup>**

The Commission's analysis indicates that granting duty-free treatment to U.S. imports of woven shirts, blouses, and dressing gowns made in eligible CBTPA countries from the subject fabrics, regardless of the source of such fabrics, would not likely have an effect on a domestic industry or its workers, because there is no known U.S. production of apparel items of the subject fabrics, of the subject fabrics, or of yarns used to make the fabrics. In addition, there appears to be no U.S. production of other apparel products that could be considered substitutable for those made of the subject fabrics. Most flannel apparel imported into the U.S. market is sold at lower price points than the majority of products made of the subject fabrics. To the extent that apparel made from the subject fabrics is substitutable for apparel sold in the United States, it likely would displace imports because imports supply most of this U.S. market.

The proposed preferential treatment would likely benefit U.S. consumers of apparel made of the subject fabrics to the extent that importers pass on some of the duty savings to retail consumers. It would also likely benefit U.S. firms, if any, that make the subject apparel in eligible CBTPA countries and their U.S.-based workers.

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<sup>8</sup> In general, the manufacturing progression for textiles is: (1) fibers are processed into yarns, (2) yarns are made into fabrics, (3) fabrics are cut into components, and (4) components are sewn into finished goods.

<sup>9</sup> \*\*\* , telephone interview by Commission staff, Dec. 28, 2005.

<sup>10</sup> \*\*\* , telephone interview by Commission staff, Mar. 13, 2006.

<sup>11</sup> \*\*\* .

<sup>12</sup> \*\*\* , telephone interview by Commission staff, Mar. 10, 2006.

<sup>13</sup> \*\*\* , telephone interview by Commission staff, Dec. 7, 2005.

<sup>14</sup> See \*\*\* . \*\*\* , telephone interview by Commission staff, Dec. 16, 2005. \*\*\* , telephone interview by Commission staff, Mar. 13, 2006.

<sup>15</sup> The Commission's advice is based on information currently available to the Commission.